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Annual report of the Executive Director on the activities of the United Nations Office for Project Services

SUMMARY

The present report is submitted pursuant to Executive Board decision 94/32 of 10 October 1994. The report provides a review of performance against financial targets in the UNOPS business plan. The report also provides a qualitative review of the nature of UNOPS activities and addresses human resources issues. Internal oversight issues are addressed in document DP/2001/15.

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ABBREVIATIONS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
CCF	Country cooperation framework
CFC	Common Fund for Commodities
DESA	Department of Economic and Social Affairs of the United Nations Secretariat
DPA	Department of Political Affairs of the United Nations Secretariat
DPKO	Department of Peace-keeping Operations of the United Nations Secretariat
ESCAP	Economic and Social Commission for Asia and the Pacific
IAEA	International Atomic Energy Agency
IFAD	International Fund for Agricultural Development
IFI	International financial institution
ILO	International Labour Organization
IMIS	Integrated Management Information System
OECD/DAC	Organisation for Economic Co-operation and Development/Development Assistance Committee
OIP	Office of the Iraq Programme
MCC	Management Coordination Committee
MINUGUA	United Nations Verification Mission in Guatemala
MSA	Management services agreement
OCHA	Office for the Coordination of Humanitarian Affairs
OIOS	Office of Internal Oversight Services
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFIP	United Nations Fund for International Partnerships
UNHCR	Office of the United Nations High Commissioner for Refugees
UNHCHR	Office of the United Nations High Commissioner for Human Rights
UNICEF	United Nations Children's Fund
UNITAR	United Nations Institute for Training and Research
UNMAS	United Nations Mine Action Service
UNMIK	United Nations Interim Administration Mission in Kosovo
UNOHCI	United Nations Office of the Humanitarian Coordinator in Iraq
UNODCCP	United Nations Office for Drug Control and Crime Prevention
UNOPS	United Nations Office for Project Services
UNSECOORD	Office of the United Nations Security Coordinator
UNTAET	United Nations Transitional Administration in East Timor
WFP	World Food Programme
WHO	World Health Organization

I. INTRODUCTION

1. The present report is submitted in compliance with Executive Board decision 94/32 of 10 October 1994, in which the Board requested the Executive Director to report annually on the activities of the United Nations Office for Project Services (UNOPS).

2. Pursuant to Executive Board decision 95/1 of 10 January 1995, the report has been reviewed and cleared by the Management Coordination Committee.

3. The 2000-2001 UNOPS Business Plan, distributed to members of the Executive Board at the third regular session 2000, establishes the targets against which performance is assessed in the present report.

II. FINANCIAL PERFORMANCE

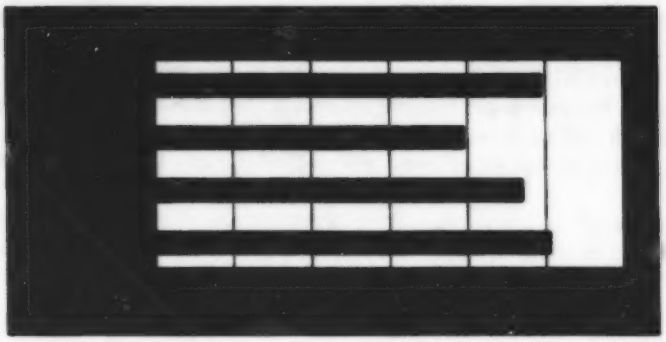
A. Overview

4. New business acquisitions of $948 million represent 99 per cent of the target. Total delivery, targeted at $836 million, fell short by $172 million, or 21 per cent, as explained in paragraphs 16-18. Total income of $48.5 million was 94 per cent of the projection. Total administrative expenditure of $55.3 million was 1 per cent above the approved estimate of $54.7 million. Table 1 provides a summary of targets, projections and achievements against the Business Plan while figure 1 shows the 2000 performance as a percentage of Business Plan targets.

Table 1. Overview of financial targets, projections and achievements in 2000

Variables in the UNOPS financial model	Target	Achieved	Percentage of target achieved
	(millions of dollars)		
Peak Budget	968	900	93
Acquisitions			
New projects	630	638	101
New services	330	310	94
Total	960	948	99
Delivery			
Projects	590	471	80
Services	246	193	78
Total	836	664	79
Income			
Project implementation	42.7	36.8	86
Loan administration and other services	6.1	6.5	107
Interest and other	2.8	2.7	96
Savings from prior biennium	-	2.5	-
Total	51.6	48.5	94
Administrative expenditures			
Recurring costs	51.6	52.3	101
Non-recurring costs	3.1	3.0	97
Total	54.7	55.3	101
Charge to operational reserve	3.1	6.8	
Self-financing rate	100%	93%	

Figure 1. 2000 performance as a percentage of Business Plan targets.



5. When, for the first time as a separate entity, UNOPS projected a shortfall in delivery and income, the Executive Director informed the MCC. On the advice of the MCC, he contracted an external financial consulting firm, KPMG, to carry out an independent review of the UNOPS financial situation. The shortfall was subsequently reported orally by the Executive Director to the Executive Board at its first regular session 2001.

6. The KPMG review also assessed the outlook for financial year 2001, including an evaluation of the potential for replenishment of the operational reserve. KPMG established that the original assumptions of the Business Plan 2000-2001 with regard to delivery of the project portfolio were affected by the decisions of clients to rephase, reduce, or cancel legally binding, approved project budgets. Based on the information available at that time, the study projected a total income shortfall of $5 million. The actual shortfall of $3.8 million is, however, 24 per cent less than the KPMG projection.

7. In a subsequent review, OIOS confirmed the information contained in the report of the Executive Director to the MCC, his oral report to the Executive Board, as well as the KPMG findings.

B. The UNOPS business portfolio

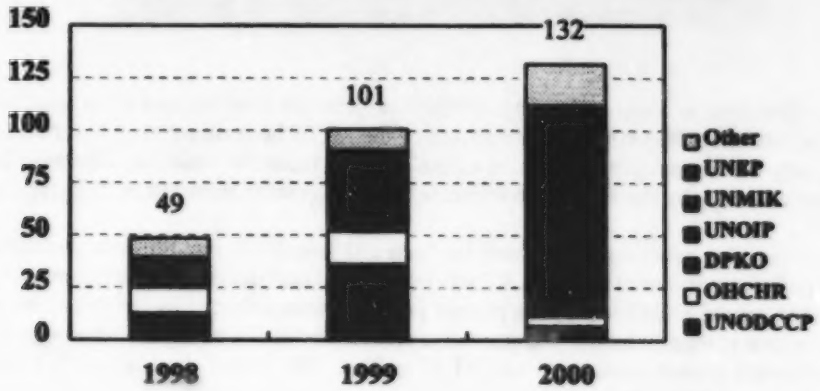
8. The UNOPS business is comprised of four portfolios: (a) the project portfolio, in which UNOPS handles funds entrusted by its clients and itself incurs project expenditures; (b) the loan portfolio, in which UNOPS renders loan supervision and administration services, at present primarily for IFAD, for which it charges a fee - the expenditure of project funds is not incurred by UNOPS; (c) the advisory services portfolio, in which UNOPS provides advisory and consultative services to clients for which it charges a fee; and (d) the partnership portfolio, in which UNOPS renders, among others, fee-based services for assistance in the establishment of partnerships with private sector firms, civil society organizations and clients within the United Nations, that are judged to add value to project or service delivery.

9. The total value of the UNOPS project and loan portfolios amounted to $3.7 billion in 2000, comprising $1.5 billion in project value and $2.2 billion in loan value respectively. This includes $638 million of new acquisitions in 2000 for the project portfolio and $310 million of new acquisitions for the loan portfolio. Advisory services generated fees of $0.2 million in 2000. Partnership services, which became operational only in June 2000, are expected to begin generating income in 2001. The advisory services and partnership portfolios that are further elaborated in paragraphs 14-15 and 43-44, are expected to remain modest in terms of contribution to UNOPS income as compared to the income generated under the project and loan portfolios.

C. Acquisitions for the project portfolio

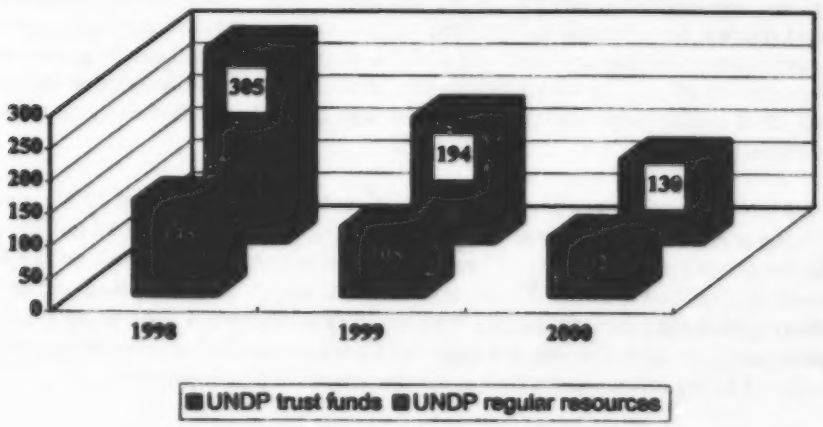
10. Overall project portfolio acquisition of $638 million exceeded the $630 million target by $8 million. The composition of the project portfolio continued to show a major change relative to previous years. For the first time, acquisitions from United Nations system clients, amounting to $132 million, were higher than the $130 million in new acquisitions from UNDP regular resources. Also for the first time, acquisition from non-UNDP clients exceeded 50 per cent. Notable acquisitions from recent United Nations system clients include the OIP portfolio, which increased to $68 million from $19 million in 1999, and UNTAET projects, from which acquisitions amounted to $44.3 million, as well as new services to UNMIK and UNEP (see figure 2).

Figure 2. Project portfolio acquisitions from organizations of the United Nations other than UNDP (in millions of dollars). In 2000, the "Other" category included DESA, DPA, IFAD, UNAIDS, UNHCR, UNITAR, UNSECOORD, UNTAET



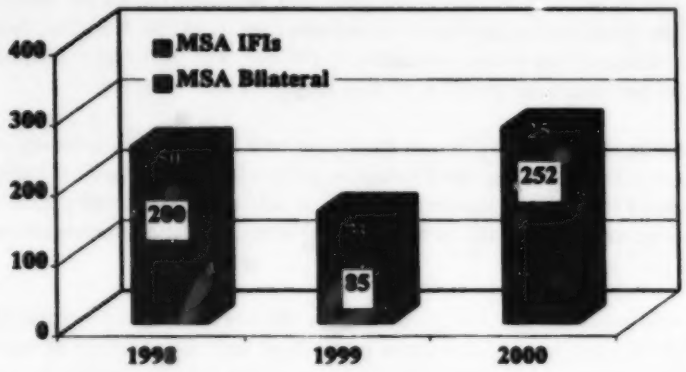
11. New projects funded by UNDP regular resources amounted to $130 million, a decrease from 1999 of $64 million, or 33 per cent. Similarly, the total value of new projects funded by UNDP trust funds and UNDP-associated funds acquired fell from $108 million to $92 million, a decrease of 15 per cent (see figure 3).

Figure 3. Portfolio acquisitions from UNDP regular resources and from UNDP trust funds and UNDP associated funds (in millions of dollars).



12. The cumulative value of newly acquired projects under management services agreements channelled through UNDP increased to $277 million from $158 million in 1999. The value of new projects funded by IFIs dropped from $73 million in 1999 to $25 million while the value of projects channelled through UNDP with individual donor agencies grew to $252 million from $85 million in 1999 (see figure 4).

Figure 4. Project portfolio acquisitions of MSAs funded by IFIs and bilateral donor agencies channelled through UNDP (in millions of dollars)



D. Acquisitions for the loan administration portfolio

13. Acquisition under the loan portfolio grew by $310 million, increasing the total loan portfolio to an all-time high of $2.2 billion. While the acquisition was 6 per cent short of target, UNOPS maintains its position as the single most important cooperating institution of IFAD.

E. Acquisitions for advisory services and partnership portfolios

14. While the volume is small but growing, a number of requests were received in 2000 for advisory services, with clients including CFC, ESCAP, IAEA, UNDP, and WFP. The income from these services amounted to $0.2 million. Additional information about these services is found in paragraph 43.

15. Following the success of the conference entitled "The United Nations and Business: A Partnership for the New Millennium", organized under UNOPS auspices, UNOPS operationalized the partnership portfolio in June 2000. UNOPS has since signed partnership agreements with corporations and NGOs to support United Nations activities in areas such as AIDS education and post-conflict rehabilitation, as further noted in paragraph 44.

F. Delivery

16. Total delivery was $664 million, 20 per cent below the target of $836 million. This total comprised $471 million delivery for the project portfolio and $193 million in disbursement authorizations for the IFAD loan portfolio.

17. The shortfall in UNOPS project delivery amounted to $119 million in 2000 owing to the unforeseen rephasing, reduction and cancellation of approved project budgets, as confirmed by KPMG and OIOS.

18. Disbursements authorized by UNOPS under the loan portfolio for IFAD amounted to $193 million, 22 per cent below the forecast of $246 million. The shortfall is primarily due to inadequate counterpart fund availability and to loan suspension under some projects. While UNOPS is responsible for 55 per cent of the total IFAD project portfolio, disbursements authorized by UNOPS represent 68 per cent of all IFAD loan disbursements in 2000.

G. Income

19. Total income of $48.5 million was $3.1 million, or 6 per cent, short of the target of $51.6 million. Income sources include: $36.8 million from delivery of the project portfolio, representing 86 per cent of the $42.7 million target; $6.5 million from loan-administration and other services ($6.3 million from the loan portfolio and $0.2 million from advisory services), representing 107 per cent of the $6.1 million target; and $5.2 million in other income, 86 per cent over the $2.8 million target for this category.

20. The shortfall in project income was primarily due to the 20 per cent reduction in delivery on the project portfolio. Had delivery not been affected by the cancellation or delay of approved project budgets, sufficient income would have been generated to meet the requirements of the self-financing principle, to cover the previously approved 2000 non-recurring costs, and to begin replenishment of the operational reserve to its approved level.

21. Income derived from the loan portfolio ($6.3 million) and the advisory services portfolio ($0.2 million) was $0.4 million above the target of $6.1 million. This income partially offsets the shortfall of income in the project portfolio. Similarly, income from interest and other sundry sources was $ 0.1 million below the target of $2.8 million. In addition, following established United Nations accounting standards, reductions of expenditures from the 1998-1999 biennium are reflected as income in the year 2000. The major element in these expenditure reductions is the lower-than-anticipated cost of settlement on committed relocation costs.

22. Income derived from sources other than UNDP rose to $16.5 million in 2000, representing 34 per cent of the total UNOPS income. This shows a marked improvement in diversification of income source over 1999, in which the income from non-UNDP sources was $11.4 million, or 22 per cent of the total UNOPS income for that year.

H. Administrative expenditure

23. Recurring administrative expenditure was $52.3 million, $0.7 million above the projection of $51.6 million. Non-recurring administrative expenditure was $3.0 million, 97 per cent of the projection of $3.1 million. It covered costs of personnel ($1.7 million), hardware and software ($0.8 million), contractual services (0.4 million) and training ($0.1 million). This is the last of the non-recurring expenditures as approved by Executive Board decision 98/20 and all future year expenditures will be recorded and reported as recurring costs with effect from 2001.

I. Operational reserve

24. The gap between total income of $48.5 million and total expenditure of $55.3 million is $6.8 million. This shortfall of income will be met, in accordance to Financial Regulation 8.3, by a drawdown from the operational reserve in that amount. Of the total drawdown, $3.1 million had previously been approved by the Executive Board in its decision 2000/20 of 28 September 2000. UNOPS began 2001 with $10.6 million in the reserve, 26 per cent below the approved estimate of $14.3 million, and $10.4 million, or 50 per cent, below the full replenishment level of $21 million. The actions to start replenishing the operational reserve will be reflected in the UNOPS budget submission for the biennium 2002-2003 which will be submitted to the Executive Board at its second regular session 2001 (see table 2).

Table 2. Comparison between approved and actual administrative results and charges to the operational reserve in 2000 (in millions of dollars)

	Approved budget 2000	Results 2000
Opening balance of operational reserve	17.4	17.4
Total income	51.6	48.5
Recurring expenditure	51.6	52.3
Non-recurring expenditure	3.1	3.0
Total expenditure	54.7	55.3
Charge to operational reserve	3.1	6.8
Closing balance on operational reserve	14.3	10.6

III. QUALITATIVE REVIEW OF UNOPS ACTIVITIES

25. At the annual session 2000, some members of the Executive Board requested the Executive Director to provide analytical information on UNOPS activities, methodologies and achievements. Mindful of the guidance of the Executive Board and the recommendations of ACABQ, UNOPS has intensified efforts to diversify both its client base and the type of services it provides to new and traditional clients. Such diversification activities are therefore the focus of the present section of the report.

26. The evolving demands of diverse clients continue to be the primary UNOPS business drivers. Meeting this challenge requires that UNOPS be agile, service-oriented and responsive. In the annual retreat, which is a regular part of its efforts to improve the organization, senior UNOPS senior managers and staff representatives agreed that UNOPS will: (a) reorient its extensive network of decentralized offices more explicitly around clients and their needs, with continued reinforcement of both the autonomy and the accountability of these units; (b) strengthen institutional-learning and knowledge-management processes to reinforce efficiency, effectiveness and quality of service; and (c) strengthen its capacity to partner more effectively with organizations of the United Nations and the private sector.

A. Diversification of service offerings

1. Support to the national execution of capital investment projects

27. IFAD projects primarily aim to combat poverty in rural areas and focus on the enhancement of rural-production systems, sustainable income-generating methods, the role of women in agricultural production and participatory methods of planning, pro-poor policy formulation, and project implementation. Most IFAD projects operate in areas with weak institutional mechanisms: therefore, the UNOPS approach of capacity-building that emphasizes operational efficiency and technical viability is the foundation for the IFAD objective of ensuring that tangible benefits reach project participants. UNOPS project supervision - from start-up workshop to on-site implementation support - is thematic and issue oriented. In start-up workshops, different stakeholders in the project meet to finalize annual work programmes, to reach agreement on implementation strategies, and to identify potential obstacles. The supervision process establishes a structured dialogue between communities and authorities, providing a unique opportunity to focus on important policy and resource allocation issues during the life of the project.

28. UNOPS has often had the opportunity to introduce new implementation concepts in partnership with IFAD. In Bangladesh, Nepal, and Uganda, for example, new methods of channelling non-traditional rural micro-finance were developed. New specialized development financing institutions (such as the Albanian Mountain Area Finance Fund and the Maldives Development Bank) are important interventions to ensure that the rural poor have access to capital. Other new implementation concepts include the establishment of financial instruments and institutions that focus exclusively on the rural poor, such as the discount funds for lending in Chile, Paraguay, the former Yugoslav Republic of Macedonia, and Uruguay. Likewise, in Indonesia new production and marketing methods for local producers have been introduced, allowing farmers to protect themselves against market volatility by synchronizing their production with supply and demand.

2. Work in countries in special circumstances

29. The mine action programme in northern Iraq, managed by UNOPS on behalf of the Office of the Iraq Programme, expanded significantly in 2000 after higher oil revenue resulted in increased allocations. UNOPS was able to plan strategically, set up priorities and lay the groundwork for the expansion of the programme through the introduction of mechanical ground-preparation systems in mine action, support provided to the power line project executed by UNDP, and the development of local NGOs dedicated to mine action. As a result of UNOPS work on the ground in mine action and its result-oriented approach, OIP requested UNOPS to formulate and implement three programmes in northern Iraq: support to the Internally Displaced Programme; the Joint Humanitarian Information Centre; and the Urban Water Sanitation Programme. The latter two programmes are implemented by UNOPS under the mandates of UNOHCI and UNICEF, respectively.

30. UNOPS began implementing a $17 million programme funded by UNEP for the clean-up of environmental hotspots in four municipalities in Serbia, where environmental contamination following the Kosovo conflict occurred. This activity is undertaken within the framework of a general agreement negotiated in 2000 between UNEP and UNOPS.

31. The assistance provided by UNOPS to peace-keeping missions reached substantial levels in 2000. In addition to two major projects funded by Japan through UNMAS and UNDP, the United Nations Secretariat selected UNOPS to implement six projects for UNMIK. These projects are in excess of $7 million and are a mix of physical and social rehabilitation activities that cover such sectors as rehabilitation of local capacities for reconstruction, waste management, transport services for the integration of minorities, and development of the media. The projects are implemented through the use of methodologies that strengthen local administrative capacity.

32. Operating from a small office in Dili, a UNOPS team provides procurement and management services to UNTAET and its development partners, delivering $18.8 million in goods, services and works contracts. UNOPS convened emergency procurement reviews on a regular basis to ensure that contracts were awarded promptly, sometimes within a 24-hour period, contributing to the rapid pace and wide scale of physical rebuilding efforts in East Timor.

B. Social accountability

33. Pursuant to its continuing goal to provide higher quality services through the introduction of standards, UNOPS decided to apply the international SA8000 social accountability standard. UNOPS has begun to develop an independently audited and verified system that will ensure quality in the workplace. UNOPS also associated with Instituto Ethos, of Brazil, a not-for-profit organization that works with the business community on matters of business ethics and social responsibility. By participating in the programme, UNOPS will ensure that its business practices and relations with the private sector are consistent with and exemplify social accountability.

C. Operational tools

34. UNOPS began releasing four of the nine volumes of its Operational Guide for the management of rehabilitation and social sustainability in societies affected by conflicts or natural disasters. The guide is a unique inter-agency effort, coordinated and produced by UNOPS, and is based on contributions that draw from the collective body of practical experience of DPKO, ILO, UNDP, UNESCO, UNHCHR, UNITAR, WHO and the World Bank, as well as a number of organizations outside the United Nations system. Providing practical methodologies for project design and management, it aims at the implementation, through project management, of the principles of the Universal Declaration of Human Rights, as well as the relevant OECD/DAC guidelines. The Guide has been made available to organizations of the United Nations system, project staff and interested institutions, including the members of the Conflict Prevention and Post-conflict Reconstruction (CPR) network.

35. UNOPS is increasingly engaged in broad-based partnerships with United Nations organizations such as ILO, UNHCR and UNITAR. Examples of such partnerships, which go beyond the provision of implementation services, include: collaboration with ILO in post-conflict and crisis response and the promotion of private-sector initiatives; the launching of a joint UNDP/UNHCR project-formulation exercise in support of an initiative to IGAD in the Horn of Africa; active participation in the United Nations Geographic Information Working Group coordinated by the Secretariat as part of the follow-up to the Report of the Panel on United Nations Peace Operations; and an innovative initiative by UNITAR and UNOPS in launching the UNITAR International Training Centre for Local Actors, involving local authorities, universities, and the private sector.

D. Value-for-money procurement

36. Best-value procurement is a cost-effective sourcing methodology that ensures optimal results. This has been applied across the spectrum of procurement activities, often generating substantial savings to clients. In 2000, UNOPS procured equipment, services and works for a value of $200 million for 2,620 projects worldwide. UNOPS provides a wide range of procurement-related services, including specialized procurement projects, contracting for goods or services, assistance to Governments in developing and implementing procurement procedures, and training of procurement staff.

37. UNOPS maintains specialized in-house support for procurement-specific information technology applications. Procurement specialists provide assistance with market research and procurement procedures, conduct vendor background checks, and maintain proprietary UNOPS vendor and consultant rosters. Portfolio managers, in-country project staff and implementation partners receive training from UNOPS procurement experts. Frequent deployment of UNOPS procurement staff to country offices and recent secondments of UNOPS staff to clients have expanded the skills of UNOPS staff while improving client service.

38. UNOPS provides procurement support services in virtually all developing countries and in countries in special circumstances. Where speed of service is essential to the client, UNOPS ensures that procurement officers deployed in the field are empowered to authorize expenditures. As a result, decisions are based on the latest on-the-ground information and clients receive the fastest possible response.

39. UNOPS procurement services support client mandates, from the post-conflict initiatives of DPA, DPKO, UNMAS, UNDP, UNHCHR, UNHCR, OIP, and UNTAET to projects in governance, public administration, capacity-building, and economic and social development. Bilateral donors supporting the implementation of projects for United Nations organizations often call upon the procurement expertise of UNOPS.

40. UNOPS is capable of securing goods and services within the client's own budget estimates. In Peru, for example, procurement managed by UNOPS achieved an average savings of 15 per cent compared with the original budget estimates of the Government. In Ecuador, UNOPS secured school furnishings under a World Bank loan for 33 per cent below World Bank appraisal reports, resulting in a savings of $1.5 million. In both

cases, savings resulted from a combination of thorough competitive bidding, in-depth knowledge of local markets, and vendor trust.

41. Another example of adaptations to meet client needs is the procurement regime utilized in projects executed on behalf of UNDP with resources provided by the Multilateral Fund for the Implementation of the Montreal Protocol. UNOPS currently assists more than 650 enterprises in over 55 countries to convert them to ozone-friendly technologies. In the last two years alone, this activity has required the procurement of specialized equipment and goods for a total value of over $28 million. UNOPS has pioneered and developed new procurement procedures for the Montreal Protocol projects. The purpose is to select the lowest bidder that is technically qualified and simultaneously to determine the budgetary ceiling for purchases of ozone-friendly technology and equipment. Accordingly, the value of the lowest technically qualified bid is set as the maximum allocation from the project budget for this purchase. The enterprise can then make an informed choice among differently priced alternatives. In case the enterprise chooses to purchase technology at a price higher than the project budget allocation, UNOPS has developed a methodology for handling the funds provided by the enterprises to supplement the purchase of the technology of their choice.

E. Risk management

42. UNOPS risk management comprises a variety of contract tools, together with skills training, that are used to address the unique needs and risks of procurement in a multi sectoral environment. A team of in-house lawyers ensures compliance with UNOPS procedures established to avoid risk and also with United Nations Financial Regulations and Rules. In addition, specialized insurance arrangements and an operational reserve are maintained to protect further against risks that cannot be fully avoided. UNOPS also provides procurement support services for all aspects of operations, including the bidding process, contract disputes, trade advice and commercial practices. The inevitability of commercial disputes arising from procurement operations, however, also requires pro-active action by UNOPS to protect the interests of clients. While UNOPS has the capacity to handle such disputes through contentious means, such as arbitration, the approximately 10-12 legal cases that arise each year are generally resolved through the more cost-effective and non-contentious means of negotiation or mediation.

F. Advisory services

43. At the request of the Executive Secretary of ESCAP, UNOPS provided services to support the ESCAP revitalization programme. First conducting a preliminary mission to determine the extent to which its experiences in management reform could be applied in support of the revitalization objectives of the Executive Secretary, a UNOPS team then carried out a limited functional analysis that focused on the identification of priority problem areas. Management consultancy services were also provided to the Department of Technical Cooperation of the IAEA. The project consisted of a comprehensive occupational development analysis that addressed the workload pressures existing within the department, with the aim of determining causes and recommending corrective measures. Advisory services were also provided in, for example, Kosovo, where UNOPS led a formulation mission for a capacity-building programme in governance and human development in support of UNMIK efforts to rehabilitate local administrative institutions and in Guatemala, where UNOPS advised WFP in the formulation of its country programme, and, at the request of MINUGUA, provided advisory services to the Soros Foundation, the Centre for Legal Action and Human Rights, and the Government of Norway for separate services relating to the implementation of the peace agreements and the follow-up to the Historic Clarification Commission.

G. Partnerships with the private sector and NGOs

44. At the annual session 2000, the Executive Director introduced a new operational concept of partnerships with the private sector and with NGOs. Eleven partnerships have since been signed and work has been initiated on the development of a dedicated partnership regime that is anticipated to be operational in 2001. Central to this service offering of UNOPS is the capacity of partners outside the United Nations to leverage project resources entrusted to UNOPS by its United Nations clients. The partnership regime, which will be distinct from the procurement regime in UNOPS, will enable UNOPS to enter into non-commercial partnerships with appropriate entities. Partnerships can add value and effectiveness to project delivery while at the same time attracting into projects those stakeholders whose support is crucial to United Nations global mandates. United Nations substantive bodies may choose to hire UNOPS to broker partnerships, or to implement projects under existing UNOPS or United Nations partnerships. To date, the UNOPS partnership with Equal Access has resulted in a project funded by UNFIP to deliver AIDS education to various target groups in Nepal. The UNOPS partnership with Aid to Artisans brings trade and business skills to local artisans in Mozambique, with funding from the Italian Government disbursed though a UNDP trust fund.

IV. MANAGEMENT OF HUMAN RESOURCES

A. Measures taken to ensure the proper discharge of delegated authority in personnel matters

45. In its decision 2000/21 of 29 September 2000, the Executive Board took note of the fact that the delegation of authority in personnel matters had been provided to the Executive Director by the Administrator and requested the Executive Director to report at the annual session 2001 on measures taken to ensure the proper discharge of the delegated authority. The Executive Director has put the necessary monitoring mechanisms in place to ensure that his delegated authority is being discharged in accordance with the applicable United Nations Staff Regulations and Rules while keeping in mind the need to administer UNOPS personnel in the most cost-effective and efficient manner. More specifically, the Executive Director has taken action to ensure that UNOPS has the capacity and expertise to execute, monitor and report on the implementation of the delegation of authority.

46. The requirements of project personnel often vary according to each client-specific operating environment; UNOPS must therefore identify the optimal implementation modality. This may require the provision of administrative services from entities other than UNOPS. In these instances, the Executive Director ensures that the necessary sub-delegations are formulated and issued, and that appropriate monitoring mechanisms are put in place.

B. Establishment of project-specific posts

47. In its decision 2000/21, the Executive Board requested the Executive Director to report on the impact, if any, of the continuing need for advance approval for the establishment of posts at the D-1 level and above. The Executive Board request stemmed from report of the Executive Director on the responsibility of UNOPS in personnel matters (DP/2000/30), in which it was reiterated that the establishment and abolition of posts has no financial impact on Member States in view of the absence of assessed budget funding. In its report DP/1997/28, ACABQ expressed the opinion that UNOPS must continue to manage posts in a flexible manner.

48. Flexibility in post management is essential if UNOPS wishes to retain its ability to respond quickly and efficiently to emerging needs emanating from an ever-increasing diversified client base or from the provision of a new range of services. As indicated in document DP/2000/30, this response may entail the establishment or abolition of posts that are financed from the management fee generated by the implementation of a specific

project or group of projects. At times, depending on the complexity of the tasks at hand, such posts may require establishment at the D-1 level. In this connection, the Executive Board will recall that the concept of a separate category of project-related posts, charged against the administrative budget, was first introduced by the Executive Director in his revised budget estimates for the biennium 1998-1999 (DP/1998/35). Since then, there has been an increase in the number of posts under this category, confirming the emerging trend referred to above.

49. During 2000 alone, 33 project appointments, charged to project budgets as opposed to the administrative budget, were made at the L-6 level or above. This figure, representing approximately 4.5 per cent of the total number of international project personnel, confirms that there is a continuing requirement for senior project-related appointments, when the complexity of the task so justifies. Given the emerging shift in funding, whereby an increasing number of project-related posts are covered from the UNOPS management fee, there is a continuing potential that this category of posts will include posts at the D-1 level or above. If and when this happens, under the current arrangement, the Executive Director will be able to establish such posts only after having received formal approval from the Executive Board, notwithstanding the project-related nature of the post. It was against this background that the Executive Director indicated, in document DP/2000/30, that there might be merit in his being given authority to establish posts at the D-1 level and below.

50. The Executive Director will continue to report on this matter to the Executive Board.

V. HURDLES

51. Since 1997, the Executive Director has included the present section in his annual report to the Executive Board to highlight areas in which progress was slower than expected and to seek the advice and help of the Board on the resolution of outstanding issues. In the annual report for 1999 (document DP/2000/25), three issues were raised: financial reporting, financial arrangements with the United Nations Secretariat, and outstanding agreements with UNDP.

52. In 2000, the lack of accurate and timely financial reports had a negative impact on relations between UNOPS and its clients and partners. The Executive Director expects that measures taken in close collaboration with partners will bring closure to this issue in 2001.

A. Financial arrangements with the United Nations Secretariat

53. As activities carried out by UNOPS on behalf of organizations of the United Nations increase, the absence of satisfactory operational modalities and agreement between UNOPS and relevant Secretariat offices continues to hinder the effective utilization of UNOPS by the United Nations.

B. Agreement with UNDP

54. Since UNOPS is not a member of the United Nations Development Group country team, other than through the *UNDP Resident Representative and UNOPS Representative in his/her capacity as Resident Coordinator*, UNOPS is precluded from participation in discussions that pertain to its implementation role in the context of the UNDAF and/or the CCF. The role of UNOPS in executing substantial programmes on behalf of the organizations of the United Nations system, and its operational experience, make it especially important that it participate in discussions with the country team. This matter, still unresolved, is linked to the recommendations contained in the report on the evaluation of the relationship between UNDP and UNOPS, the implementation of which was requested in decisions 2000/16 and 2000/22 of the Executive Board. This item is covered under item 15 of the provisional agenda of the present annual session.

VI. INTERNAL OVERSIGHT

55. In submitting the report on internal audit and oversight activities (DP/2001/15), UNOPS continues the practice established in the annual report of the Executive Director for 1997.

VII. EXECUTIVE BOARD ACTION

56. The Executive Board may wish to:

(a) Take note of the report of the Executive Director of the United Nations Office for Project Services (DP/2001/19);

(b) Take note of the fact that a drawdown from the operational reserve of the United Nations Office for Project Services was effected in 2000, in the amount of $6.8 million, consisting of previously approved non-recurring expenditures of $3.0 million and a shortfall in 2000 income of $3.8 million;

(c) Request the Executive Director of the United Nations Office for Project Services to keep the parameters of the Office's financial model under close review and report on trends at the second regular session 2001 as part of the report on budget estimates for the current and future bienniums; and

(d) Request the Management Coordination Committee to assist and guide the Executive Director of the United Nations Office for Project Services in overcoming the difficulties detailed in paragraphs 53 and 54 of document DP/2001/19.